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NATIONAL INTELLIGENCE DAILY CABLE

Friday January 14, 1977 CG NIDC 77-011C

[redacted]

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

DIA and DOS review(s) completed.

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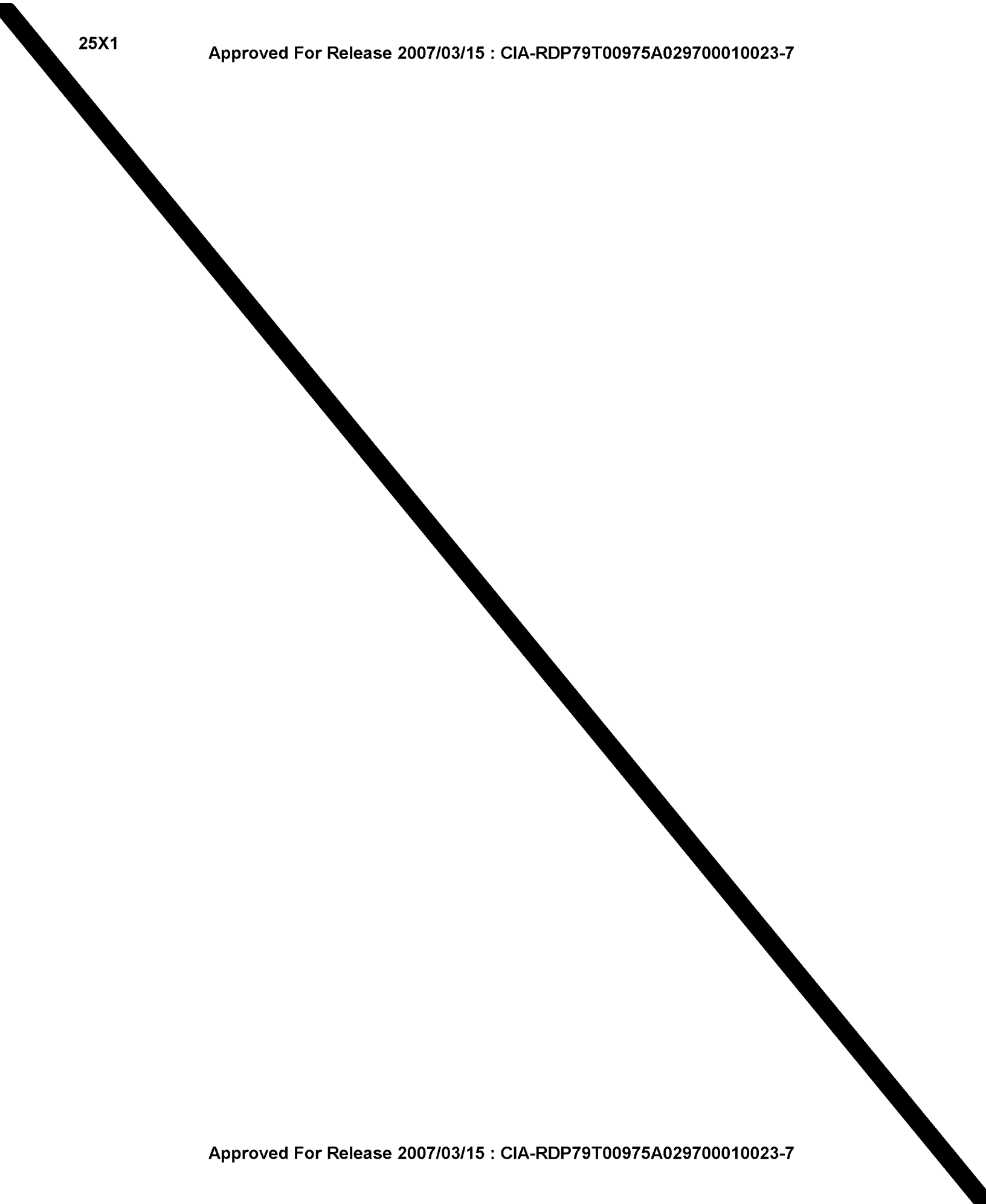

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National Intelligence Daily Cable for Friday January 14, 1977.

The NID Cable is for the purpose of informing senior US officials.

CONTENTS

WEST GERMANY: Inter-German Relations Page 2

RHODESIA: Situation Report Page 3

ARAB STATES: Payments Page 7

USSR - WEST GERMANY: Nuclear Page 8

YUGOSLAVIA: Military Retirements Page 8

SAUDI ARABIA - FRANCE: New Oil Deal Page 11

BELGIUM-LIBYA: Arms Deal Page 12

JAPAN: Auto Industry Prospects Page 13

Approved For Release 2007/03/15 : CIA-RDP79T00975A029700010023-7

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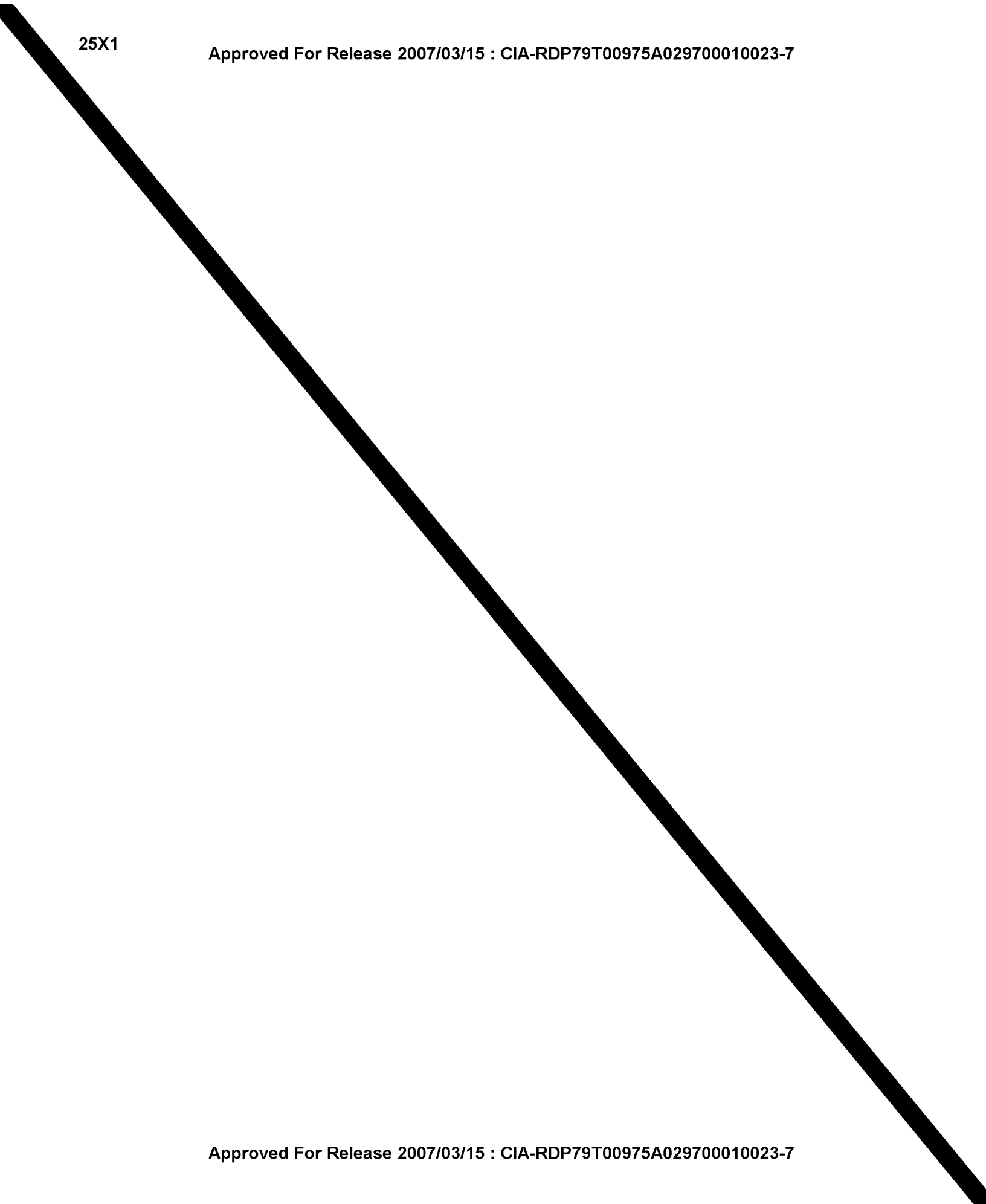

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WEST GERMANY: Inter-German Relations

25X1 [redacted] West German Chancellor Schmidt will meet next week with senior officials to discuss the deteriorating state of East-West German relations.

25X1 [redacted] The meeting was prompted by a series of recent East German actions designed to frustrate attempts by East German citizens to leave East Germany, to enhance East Germany's claim to full sovereign control over East Berlin, and to counter criticism of the East German regime in West German media.

25X1 [redacted] The West German government will find it difficult to respond effectively to East Germany, but Schmidt and other officials obviously believe they must appear publicly to be doing something to counter the East German measures.

25X1 [redacted]

25X1 [redacted] The opposition in West Germany is certain to point to the current difficulties Bonn is encountering as another indication that Ostpolitik--as conceived and implemented by the governments of Schmidt and his predecessor, Willy Brandt--is harming West German interests.

25X1 [redacted] The latest East German move occurred on Tuesday, when security police turned away private citizens attempting to visit West German representatives in East Berlin.

25X1 [redacted] Since then, the East Germans have not attempted to impede access to the representatives, but yesterday they reportedly questioned people leaving the mission. In addition, East

German officials have strongly rejected West German protests about the earlier incidents, asserting that West German representatives have meddled in East Germany's internal affairs.

25X1 The West Germans are hopeful that the East Germans will not again restrict access to their mission in East Berlin. In any event, a West German official has said that Bonn will not be satisfied unless East Germany retracts its charges about West German meddling.

25X1 The East Germans are unlikely to back down on their charges. Yesterday the main East German party newspaper publicly accused the West Germans of conducting activities contrary both to agreements signed by the two Germanies and to the Helsinki
25X1 Final Act.

RHODESIA: Situation Report

25X1 The ruling Rhodesian Front Party has rejected any British role in an interim government for Rhodesia. After a meeting with Prime Minister Smith yesterday, party leaders issued a statement expressing a lack of confidence in the British and reiterating full support for the government's strict adherence to the settlement terms announced by Smith last September.

25X1 //Front leaders also urged the government to "eliminate" militant blacks and to promote discussions with black Rhodesians who are "genuinely interested" in the welfare of Rhodesians of all races. Smith has been seeking to divide the nationalists and exploring the possibility of negotiating a separate settlement with malleable blacks. The government apparently sponsored the recent formation of a new black party as part of this effort. The positions adopted by the white political leaders do not, however, reflect the growing uncertainty among white Rhodesians in general.//

25X1 When Prime Minister Smith announced his acceptance of the principle of majority rule last September, many whites were encouraged by the prospect that economic sanctions might be lifted and Rhodesia might become an accepted member of the international community.

25X1 //After this initial surge of optimism, however, whites are becoming increasingly doubtful about the prospects for a peaceful settlement and many apparently have made contingency plans to leave the country. 25X1
25X1 the increasing strain of frequent military call-ups is the chief reason for present or planned white departures.//

25X1 //Although most whites still feel that the security forces can contain the guerrillas, many white males believe that black rule is inevitable, and question the wisdom of continuing to fight. Dissatisfaction over the length of military service has led to angry protest letters in the Rhodesian press.//

25X1 //Many businesses are feeling the pinch because of call-ups among their skilled workers. Some reportedly are trying to train blacks to fill in, but training programs have been only marginally successful since few blacks have any previous technical training.//

25X1 //Some white civilians apparently were shocked by the large number of wounded whites they saw during visits to hospitals at Christmas time. They reportedly are coming to believe that the cost of the war is too high, and are critical of the government for keeping secret the figures on the number of wounded.//

25X1 A women's peace group has obtained petitions with 40,000 signatures and has staged two demonstrations in Salisbury calling on Smith to accept British proposals and move quickly toward majority rule. In addition, several small, white opposition groups have joined forces to work for majority rule.

25X1 Despite these signs of discontent, Smith's predominant position among Rhodesia's whites does not appear threatened. Even many of his opponents have indicated that the white community may have no real alternative to the Prime Minister. Moreover, uneasiness among whites probably has been at least partially offset in recent months by the success of Rhodesian army cross-border raids into Mozambique, which have disrupted the activities of the Rhodesian guerrillas. 25X1
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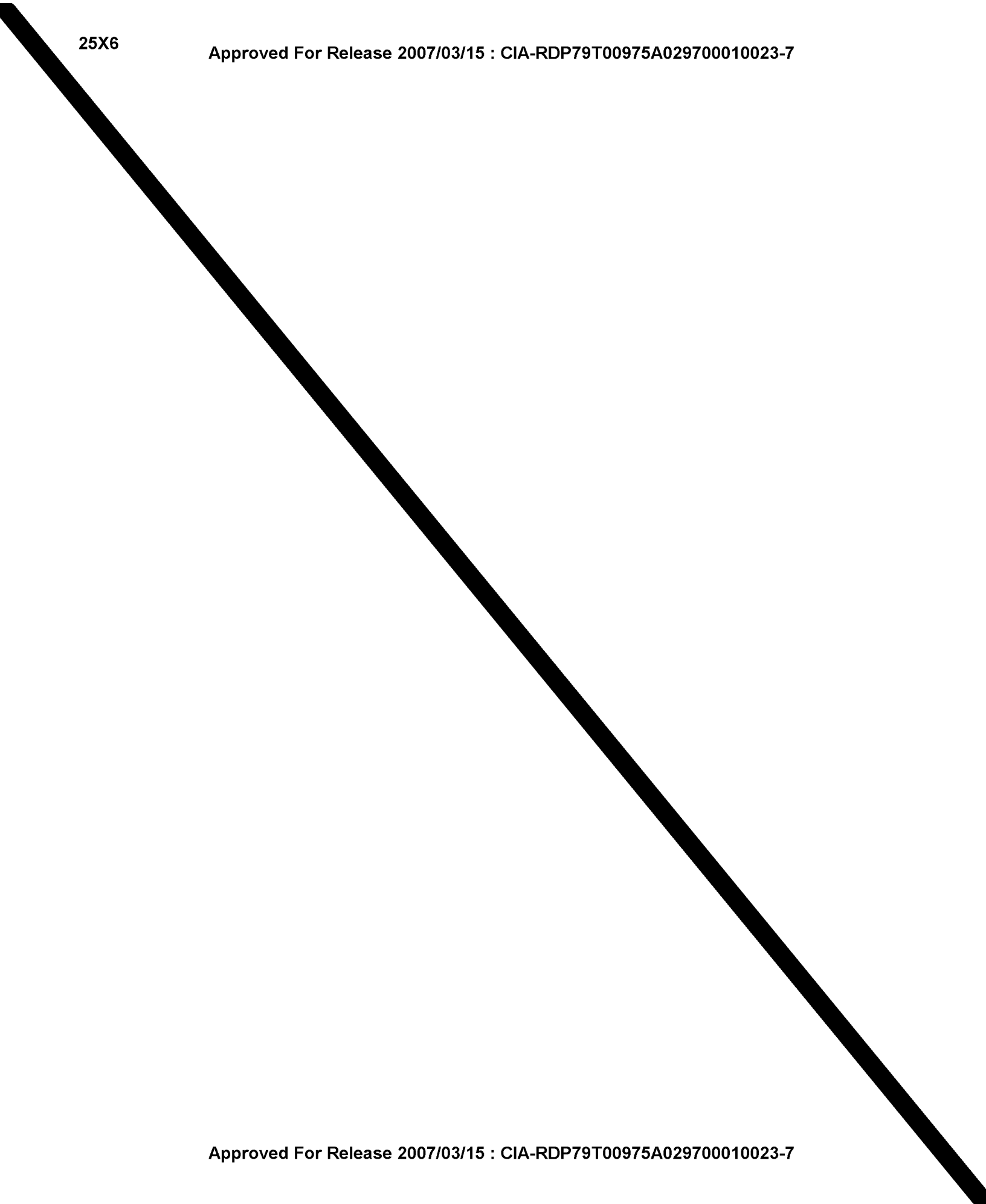

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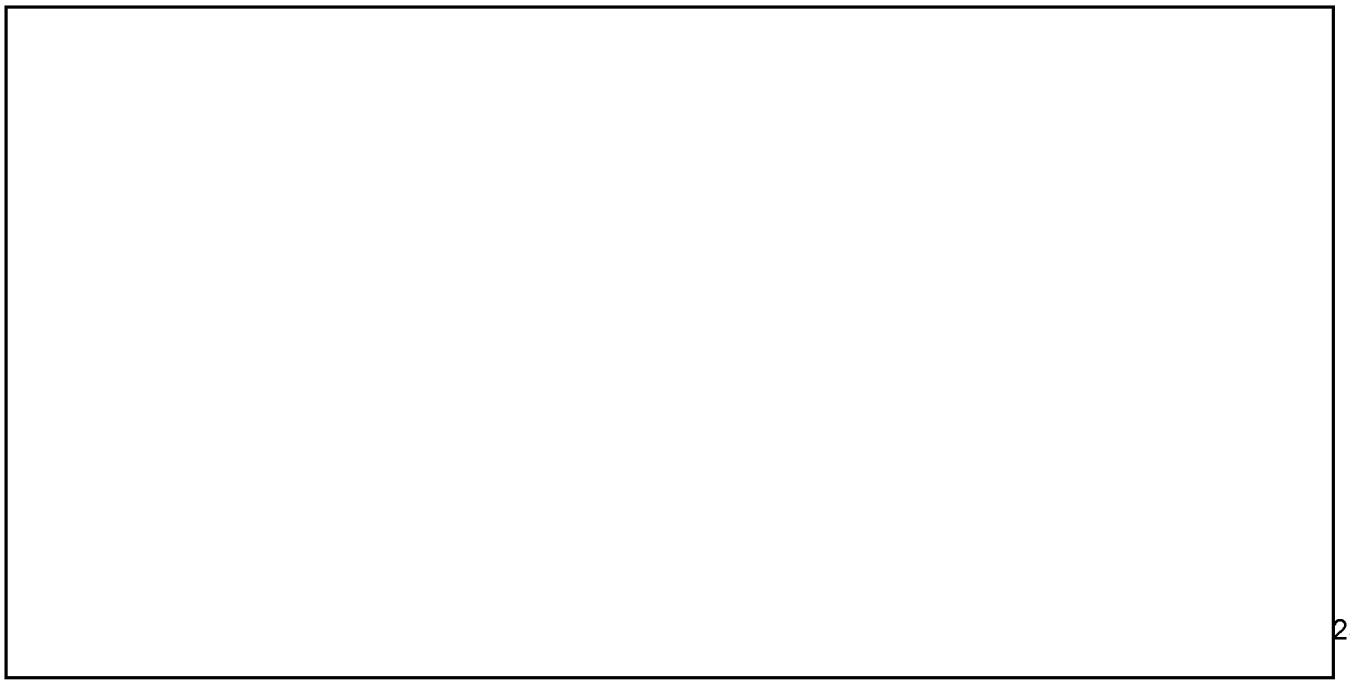

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ARAB STATES: Payments

25X1 [redacted] The foreign ministers of five oil-rich Arab states have pledged nearly $2.8 billion over the next two years to the states confronting Israel. Each year, Egypt and Syria are to get $570 million apiece, Jordan $200 million, and the Palestine Liberation Organization $28 million. 25X1

[redacted]

25X1 [redacted] The announced annual transfers are roughly equal to those paid in 1975 under pledges made at the Rabat summit of the previous year. Additional transfers of more than $400 million were pledged at Rabat by Algeria and Libya but never paid.

25X1 [redacted] //Following the Rabat meeting in 1974, the confrontation states thought the payments would continue indefinitely. The donor states, however, made only one round of payments of the Rabat subsidy. 25X1

25X1 [redacted]

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[redacted]

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USSR - WEST GERMANY: Nuclear

25X1 The USSR is reportedly negotiating an agreement to reprocess up to 2,000 tons of West German spent nuclear power-reactor fuel over the next 10 years. There are likely to be problems in completing this agreement; it would probably require approval from the Coordinating Committee--the international group that controls the export of defense-related materials to communist countries--as well as from the US, which has been the primary source of the enriched fuel to be reprocessed.

25X1 Party Chief Brezhnev reportedly will discuss the arrangement during a visit to West Germany some time in the next few months.

25X1 The agreement would be the first Soviet contract to reprocess spent reactor fuel for a Western country from fuel not fabricated in the USSR. The Soviets already have contracts to provide uranium enrichment services to West Germany and several other Western countries.

25X1 Under the terms of the agreement, slightly enriched uranium equivalent to the energy value of the spent fuel would be returned to West Germany, but the USSR would keep the plutonium. Retention of recovered plutonium by the USSR would not have significant military implications because we believe the Soviets already have adequate stockpiles of plutonium suitable for their nuclear weapons program. The approximately two tons of plutonium per year which the Soviets would recover is somewhat undesirable for use in weapons, but would provide fuel for fast breeder reactors or other fast reactors. 25X1

YUGOSLAVIA: Military Retirements

25X1 The retirement of two Yugoslav generals later this year could spark a shake-up in the high command and lessen the military's overt role in internal security affairs. President Tito may have reluctantly agreed to these moves at the urging of his civilian subordinates.

Approved For Release 2007/03/15 : CIA-RDP79T00975A029700010023-7 25X1

25X1 [redacted] According to the US military attache in Belgrade, generals Djoko Jovanic and Franjo Herljevic are to retire some time this year. They have filled key national security jobs since May 1974, when revelations of pro-Soviet subversion jolted the Tito regime into a nationwide tightening of internal security. Jovanic, the undersecretary of defense for intelligence, became the prime overseer of the effort and Herljevic was given the Interior Ministry, which had previously been headed solely by civilians.

25X1 [redacted] The role of the military in imposing more repressive policies soon began to alarm many Yugoslavs. In August 1975, Croat elder statesman Vladimir Bakaric--the top civilian overseer of the internal security complex--openly voiced misgivings about army involvement in this sensitive area. He was expressing the fears of the non-Serb minorities, who tend to view the army as a tool of ultraconservative Serbian chauvinists.

25X1 [redacted] //Jovanic and his group have wielded considerable influence with Tito for many years. The President has long relied almost instinctively on officers who shared his wartime experiences, but it now appears that younger men in the President's entourage--led by party secretary Stane Dolanc--have finally prevailed upon Tito to make some changes in the officer corps. Dolanc has been currying favor with younger generals.//

25X1 [redacted] //Jovanic's eclipse will shock the military establishment. His career has been on an uninterrupted upswing, and his proteges are widely placed throughout the hierarchy. As recently as last fall he had the inside track to replace Defense Minister Ljubicic. He was also the top representative of an influential group of Serb officers from Croatia. With Jovanic out of the running, the job of defense minister will be open to younger non-Serb officers with the potential for ending traditional Serbian dominance of the military establishment.//

25X1 [redacted] //Herljevic's impending retirement from the army is probably the result of a desire by civilian party leaders to reduce the highly visible military role in the Interior Ministry. Although several politicians--including Dolanc--have reportedly criticized Herljevic for excessive zeal, he has to date shown no signs of easing his repressive tactics. Herljevic

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will probably continue as interior minister, but with his status reduced, he will have difficulty ignoring these complaints. Opponents of strong repressive measures, moreover, will probably take his retirement as a cue for heightened agitation for an easing of restrictions.//

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SAUDI ARABIA - FRANCE: New Oil Deal

25X1 [redacted] France is about to sign a new three-year agreement with Saudi Arabia which will allow the government oil company, Elf-Aquitaine, and the one-third government-owned Compagnie Francaise des Petroles to purchase directly 33 percent more Saudi crude than under their 1974-1976 agreement. Under the new terms, France would purchase 240,000 barrels per day beginning this year, compared with 180,000 barrels per day previously. Negotiations have been completed, and formal signing is expected during President Giscard's visit to Saudi Arabia later this month.

25X1 [redacted] //The initial agreement was concluded during the oil embargo, when France was trying to circumvent the major oil companies and establish direct sales arrangements with oil-producing countries. Paris hoped to use the pro-Arab tilt of its Middle East policy to help establish special relationships with the producers. The small size of the initial deal and the failure of attempts to conclude a 20-year arrangement with Saudi Arabia for a reported 800,000 barrels per day led the French to become disillusioned with this tactic.//

25X1 [redacted] //The new agreement appears to be largely window dressing for Giscard's coming visit, but it indicates France's intention to keep open its option of an independent oil policy.//

25X1 [redacted] //The deal will provide for only a limited portion of the crude France imports from Saudi Arabia. Major oil companies operating in Saudi Arabia will continue to provide the bulk of such oil. French crude imports from Saudi Arabia have jumped sharply from 620,000 barrels per day in 1973 to 870,000 barrels per day in September 1976. Saudi Arabia is now France's largest source of crude oil, providing more than one third of French requirements.//

25X1 [redacted] //Announcement of the new agreement shortly after the recent price split among OPEC states is apparently coincidental. The increased access to Saudi oil should, however, slightly reduce the average price increase that France will
25X1 sustain.// [redacted]

Approved For Release 2007/03/15 : CIA-RDP79T00975A029700010023-7 25X1

25X1 Approved For Release 2007/03/15 : CIA-RDP79T00975A029700010023-7 [redacted]

BELGIUM-LIBYA: Arms Deal

25X1 [redacted] //Belgian officials have told the US embassy they will advise their government to instruct two Belgian firms to attempt to renegotiate--and scale down--a preliminary agreement the firms have signed to provide Libya with an arms-production complex. The Belgian cabinet will discuss the arms deal today but is unlikely to reach a decision on it for some time.//

25X1 [redacted] //The Belgian officials stressed that Brussels faces a dilemma. The government does not wish to provide the Libyans with the means to produce arms for export and to further Libyan political objectives. The Libyans, however, have threatened explicitly to stop purchasing all Belgian arms if the contracts are canceled. Such cancellations, according to the Belgians, would have a severe impact on the two firms involved and could lead to several thousand workers losing their jobs.//

25X1 [redacted] //The Belgian Foreign Ministry apparently hopes to delay a final decision. It will recommend to the government that the two firms be instructed to tell the Libyans that they are unable to obtain the required government financing and guarantees because of the size of the project and the financial risk involved. The two companies should then seek to renegotiate all aspects of the project and particularly attempt to reduce its total size and to eliminate the financial risks to the firms.//

25X1 [redacted] //The Foreign Ministry believes that such negotiations could take several months, after which the Belgian government would again examine the project.//

25X1 [redacted] //A Belgian Foreign Ministry official has said that Brussels would not welcome "arm-twisting" and that the US should not regard the demarche made by the Belgian officials as a formal request for US views on the project. The US reaction, however, will undoubtedly be a major factor in the Belgian government's ultimate decision. [redacted] 25X1

25X1 [redacted]

Approved For Release 2007/03/15 : CIA-RDP79T00975A029700010023-7 [redacted] 25X1

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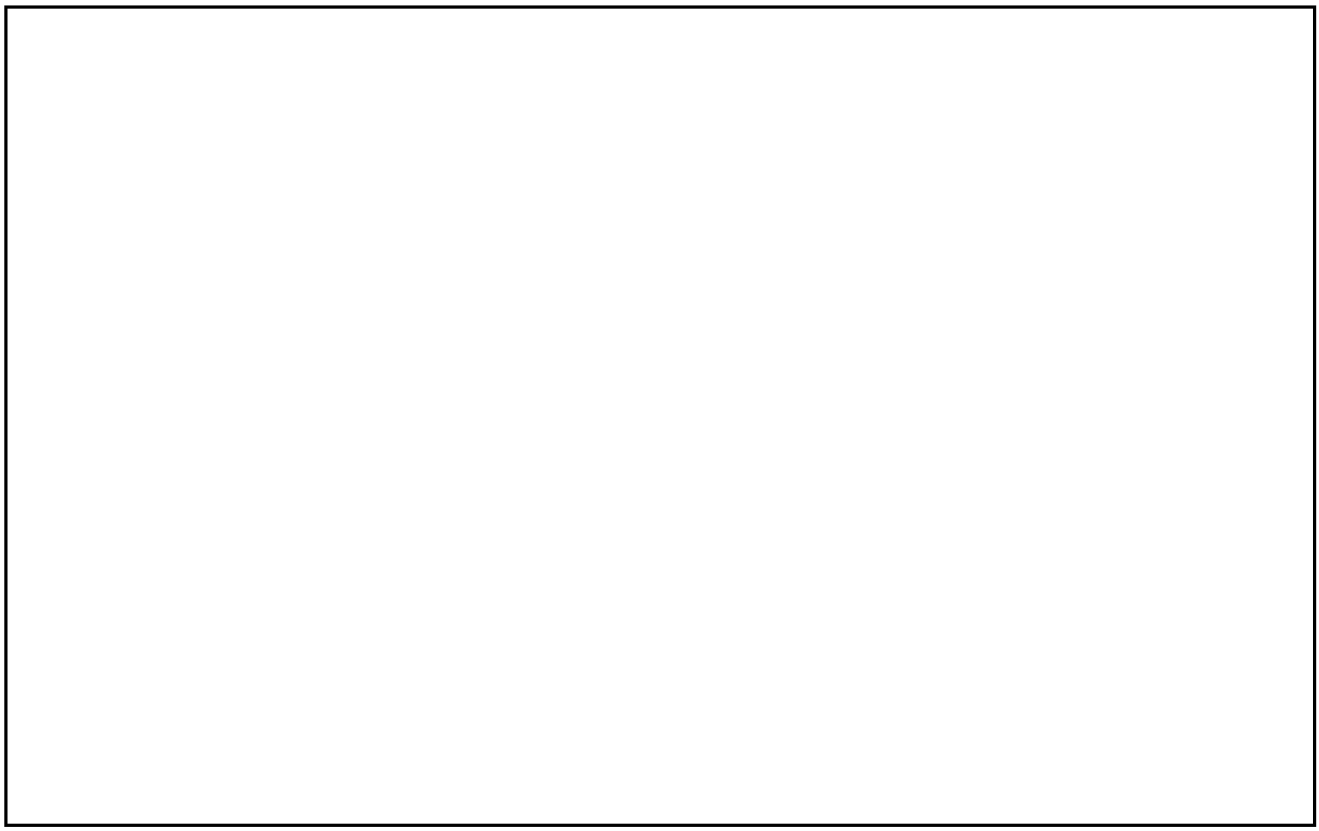

JAPAN: Auto Industry Prospects

25X1 [redacted] Japanese automobile exports will increase only 3 percent this year because of slackening US demand and trade restrictions in other key markets, according to Japanese industry spokesmen. In contrast, Japanese auto exports rose by 30 percent last year.

25X1 [redacted] Tokyo hopes that a rebound in Japanese consumer demand will bolster domestic sales by as much as 10 percent to offset sluggish shipments abroad. If sales at home fail to expand as expected, Japanese car manufacturers could slash car prices to stimulate foreign sales to those areas not covered by import restrictions. In 1974, Japan sharply increased shipments to the large Australian market by cutting car export prices when domestic demand began to slip.

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Approved For Release 2007/03/15 : CIA-RDP79T00975A029700010023-7

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25X1 [redacted] Japan's share of the US market slipped slightly last year, reflecting higher US demand for the larger domestic automobiles. Toyota and Nissan (Datsun) expect the shift to domestic makes to continue this year, holding additional Japanese sales in the US to below 3 percent.

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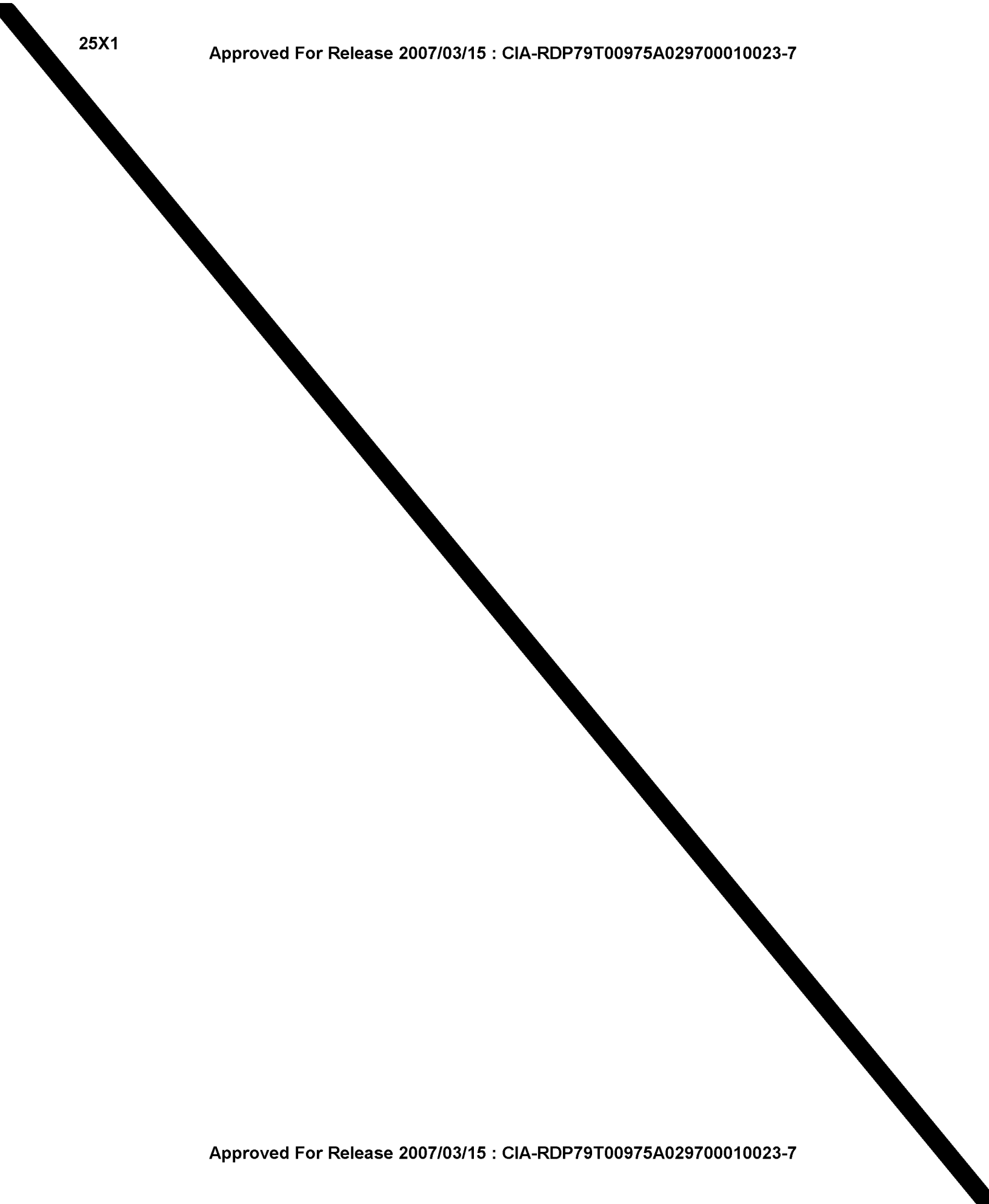

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